

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK-----X
DEER CONSUMER PRODUCTS, INC.,

Plaintiff,

Index No. 650823/2011

- against -

ALFRED LITTLE, JOHN DOE #1-10, AND
SEEKING ALPHA, LTD.,**AFFIRMATION OF ROBERT KNUTS**Defendants.
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ROBERT KNUTS, ESQ., an attorney duly admitted to practice before the Courts of the State of New York, hereby affirms, upon information and belief and under penalty of perjury, as follows:

1. I am a partner in the law firm of Park & Jensen LLP, co-counsel for plaintiff Deer Consumer Products, Inc. ("Deer") in this action. I make this affirmation based on personal knowledge and the review of documents described herein and annexed as exhibits. This affirmation is submitted in opposition to the motion of defendant Alfred Little ("Defendant Little") to dismiss the complaint for lack of personal jurisdiction.

2. Deer filed this action on March 28, 2011 to recover damages for defamatory statements made in a series of online "reports" authored by Defendant Little. These reports include a March 9, 2011 report (annexed as Exhibit 1), a March 14, 2011 report (annexed as Exhibit 2), and a March 18, 2011 report (annexed as Exhibit 3).

3. Each of these defamatory reports contains an "About the Author" section in which Defendant Little states that "today he lives in New York and Shanghai." *See* Exhibits 1, 2, and 3.

4. On or about March 20, 2011, Defendant Little maintained a profile on LinkedIn, an Internet web-site, and that profile contained the following statement: "today he lives in New

York and Shanghai.” A copy of this LinkedIn profile is annexed as Exhibit 4. According to LinkedIn’s homepage, LinkedIn is a service that allows professionals to control their professional identity online. The LinkedIn homepage is annexed as Exhibit 5.

5. On March 28, 2011, in an email to me that I received after Deer filed the complaint in this action, Little directly contradicted his previous representations the he resided in New York.

6. In the March 14, 2011 and March 18, 2011 reports that are annexed as Exhibits 2 and 3, Defendant Little stated that he then maintained a “short” position in Deer common stock. *See* Exhibits 2 and 3, stating “I am short DEER.” To establish a “short” position in a publicly traded stock in the United States, an investor must sell the common stock in question and then borrow an equivalent number of shares for their account. According to Deer’s website, annexed as Exhibit 7, Deer is a NASDAQ Global Select Market listed U.S. company. NASDAQ’s corporate headquarters are located in New York. *See* Exhibit 8.

7. Defendant’s website, Alfredlittle.com, allows Little to interact with users by responding to email questions and comments, and permitting users to post comments in reply to Little’s articles as well as submit their own articles for publication. *See* Exhibit 9.

For the reasons set forth in the accompanying memorandum of law, it is respectfully requested that Defendant Little’s motion to dismiss for lack of personal jurisdiction be denied.

In the alternative, Defendant Little's the motion should be continued in order to provide plaintiff Deer with the opportunity to take jurisdictional discovery, including an EBT, pursuant to CPLR 3211(d).

Dated: New York, New York
October 28, 2011



Robert Knuts

Exhibit 1

**Deer Consumer Products:
“DEER in the Headlights”**

**Alfred Little
Shanghai, China
March 9th, 2011**

Introduction

In this detailed report, I show through extensive channel checks, industry research, network contacts, background checks, distributor and industry expert interviews and PRC government filings that Deer Consumer Products Inc., (NASDAQ: DEER), which went public and raised \$94 million with the help of the notorious Benjamin Wey and his New York Global associates, conspired to defraud investors by exaggerating its revenue, profit margins, and income on its Chinese domestic sales of its low-end kitchen appliance products. Furthermore, DEER management misappropriated \$11 million in company funds through a questionable recent land purchase and also failed to disclose direct competition and other serious conflicts of interest arising from certain unconsolidated related parties. I have organized my findings into seven sections as set forth below.

1. The notorious Benjamin Wey and his New York Global associates including his sister Sarah Wei maintain substantial ownership and involvement in all of DEER’s financings, promotion and RTO

With the help of the notorious Benjamin Wey and his New York Global Group (“NYGG”) corporate advisory firm, DEER was formed through a reverse merger (RTO) in September 2008. Wey’s affiliates received shares and cash for their services, which included introducing DEER to Ben Wey’s favorite auditor, Goldman Parks Kurland, who he also used on his other RTO disasters including Bodisen Biotech (BBCZ, -95% from its high), Agfeed Industries (FEED, -90%), Smarthead (HEAT, -78%) and most recently Cleantech (CTEK.PK, already -52% from its high and delisted from NASDAQ on March 1, 2011 for a serious disclosure violation related to a December financing). DEER has so far outperformed its peers, still trading around \$11 per share today. In an article from NYGG’s Chinese website available ([here](#)), with an English translation on page 3, Wey portrayed DEER as a crowning achievement, having advised and raised over \$94 million in several rounds of financing in just one year for the company since its RTO:

December 11, 2009, New York - Since June 2009 New York Global Group (NYGG), a Wall Street investment bank, began acting as the exclusive advisor to Guangdong Deer Electric Group (NASDAQ:DEER). NYGG led DEER to set the record for a Chinese company uplisting to NASDAQ’s main board in 47 working days and then advised on DEER’s second round financing on the NASDAQ in September, 2009 at a P/E ratio of **26x**, bringing the cumulative amount raised to \$18 million. On December 10, 2009, NYGG help DEER to complete a third round financing at a P/E ratio of **40x**, on a funding amount of \$76 million. **Since it went public in the US under the direction of NYGG, DEER has since completed financings amounting to \$94 million in one year.**

Below is a picture from the article showing Wey (2nd from left) celebrating on a private jet with DEER CEO Ying He (left) and other management after pricing its \$75 million offering on December 10, 2009.



2009年12月10日融资7600万美元成功后兴奋的德尔企业高管与纽约国际总裁

Last year when investors spoke to Wey he was quick to brag that he had invested over \$30 million in the company. But after so much bad press recently Wey denies his investment and association with DEER. He removed the article and pictures from his Chinese website. He is careful to point out that he has no control or beneficial interest in shares held by his sister (Sarah Tianyi Wei, holder of 2.2 million shares, 6.3%, worth about \$24 million) or Ming Lee, the chief representative of NYGG's Beijing office. Sarah Wei is also reportedly a managing director at NYGG's Beijing office. Regardless of Wey's claims, there is no doubt NYGG has considerable influence over DEER.

Who is Benjamin Wey and why would DEER hire him as an advisor?

The New York Post documented Wey's Bodisen disaster ([here](#)). Herb Greenberg explained why Wey was kicked out of the NASD ([here](#)). A summary of Ben's many misdeeds begins with his

earliest and only criminal act, in which he was jailed for violating an emergency restraining order issued after he beat up his wife. Wey got bailed out after 10 days in the slammer by a business partner, James Hill, who five years later declared bankruptcy after he and Ben lost a \$1.4 million lawsuit related to another of Ben's bad deals. The complete summary can be downloaded ([here](#)), and is definitely worth checking out. A snapshot of the report follows:

Benjamin Wey (AKA TIANBING WEI, AKA BENJAMIN WEI)

DOB: September 12, 1971 (Age:33)

SSN: 448-■■■■ issued in the State of Oklahoma during 1993

06/23/1997 – Case No. PC-1997-1568 "ADAMS-WEI STACIE VS WEI BENJAMIN" filed in THE DISTRICT COURT IN OKLAHOMA COUNTY, OK. Stacie Adams Wei filed for Domestic Abuse against Benjamin Wei (aka Tianbing Wei) and a "temporary protective order" was issued.

07/14/1997 – Case No. FD-1997-3825 "WEI STACIE RENCA ADAMS VS WEI TIANBING" filed in THE DISTRICT COURT IN OKLAHOMA COUNTY, OK. Stacie Adams Wei filed for a divorce from Tianbing Wei (aka Benjamin Wei). Due to the aggressive behavior that Mr. Wei had demonstrated towards his wife, she was also granted an "emergency restraining order" against him on this date.

10/13/1997 – File No. MI-1997-1171 "State of Oklahoma v. Tianbing Wei" filed in THE DISTRICT COURT IN OKLAHOMA COUNTY, OK. Tianbing Wei (aka Benjamin Wei) was arrested for "Violation of Protective Order", criminal charges were brought against him and his bail was set at \$2000. After spending 10 days in jail the bail was paid on behalf of Mr. Wei by JAMES HILL (Wei's Friend/Business partner). CHECK NO: 004426(2000.00). Date paid: 10/23/1997.

02/18/1998 – Case No. FD-1997-3825 Stacie Adams Wei was granted a divorce from Mr. Wei.

09/04/1998 – Case No. CJ-1998-1967 "SMITH RICHARD ET AL, v. WEI TIANBING," filed in THE DISTRICT COURT IN OKLAHOMA COUNTY, OK. Richard Smith filed a lawsuit against Tianbing Wei for "Auto Negligence" – This case was dismissed in 10/02/1998.

09/04/1998 – Case No. CJ-1998-1990 "CLEVELAND ROBERT R, v. WEI BEN," filed in THE DISTRICT COURT IN OKLAHOMA COUNTY, OK. Robert Cleveland filed a small claims lawsuit against "Benjamin Wei" – a small judgment was issued on 12/11/1998 and the case was settled.

11/16/2000 – Case No. CJ-200-8095 "Tianjin New Hong Cheng Technology and Trading Co v. Ram Capital Corporation" filed in THE DISTRICT COURT IN OKLAHOMA COUNTY, OK. In this case Ben Wei and Elite control "Tianjin New Hong Cheng Technology and Trading Co.", which is a China company that is owned by Wei's sister "Wei Tian Yi" sued for an unspecified amount owed of over \$10,000 – This case was dismissed-with prejudice on 3/28/2002 for lack of jurisdiction.

05/17/2002 – Case No. CJ-2002-4125 "Northwest Institute of Sports Medicine and Orthopaedic Surgery Pp, v. Benjamin Tianbing Wei, RECHAMARK SECURITIES GROUP INC, BENCHAMARK GLOBAL CAPITAL GROUP INC, ELITE STRONG GROWTH INVESTMENT INC, THE FIRST PACIFIC

DEER hired and continues to retain Wey and NYGG simply because they are in fact getting a great deal. In the article above, Wey points out that the \$94 million NYGG raised for DEER was at multiples of 26x to 40x earnings. Obviously no U.S. investor would ever willingly pay such valuations for a blender and juicer maker. But in fact investors most certainly did significantly overpay. Wey is very likely telling the truth, since DEER is dramatically overstating its earnings as I will show below.

2. DEER's high margins are impossible

My survey and conversations with DEER's large, publicly listed and well-known domestic competitors let me conclude that DEER is merely one of numerous smaller players in the low end of the Chinese small kitchen appliance market. The top brands such as Midea, Joyoung, and Supor dominate a large chunk of the market share in DEER's product categories such as soymilk maker, blender, juicer and rice cookers. Outside the market leaders, the low end of the market is fragmented among hundreds of small, weak competitors including DEER.

Searching on Alibaba for “[juicer](#)” and “[blender](#)” under the product category in mainland China yields over 4,000 and nearly 6,000 results, coming from a long list of manufacturers who compete with DEER. There are no barriers to entry in the low end of the domestic branded business, while the barrier to success (i.e. becoming the market leaders) is quite high, requiring large amount of capital to build a brand and years of working relationships to build a national distribution channel. Failure abounds, with the recent example of BBK (002251.SH), a large Chinese player with fair amount of brand recognition that nevertheless exited the small appliance market due to difficulty of effectively competing against the top brands in the category (link to the story [here](#)).

Yet somehow, DEER claims it generates higher profit margins than even the market leaders, despite DEER’s very recent market entrance and very limited brand equity in this intensely competitive industry.

	<u>Joyoung</u>	<u>Supor</u>	<u>Elec-tech</u>	<u>Tsann Kuen</u>	<u>Deer</u>
LTM Revs (as of Q3 '10)	778.0	793.4	381.7	498.5	146.2
Gross Margin ⁽¹⁾	36.7%	27.9%	23.3%	12.5%	28.7%
Operating Margin ⁽¹⁾	15.3%	9.4%	4.7%	2.5%	20.4%

(1) Margins are the average from 1Q 2010 - 3Q 2010

DEER boasts an unjustifiable 40%+ gross margin in the domestic business, and reports operating margins 46% higher than its strongest competitor, which is over 8x DEER’s size. With all of the major competitors being much larger publicly traded companies with manufacturing facilities and cost structure similar or superior to DEER, I see no validity to DEER’s explanation of its high margins due to its purportedly lower cost base and greater economy of scale. In fact, I suspect DEER’s competitors certainly have lower cost structures by having wisely established their production bases in the lower cost labor zones of the interior provinces of China, such as Anhui, Shandong and Hubei. DEER operates its plant employing 2000 workers in the coastal province of Guangdong that has suffered rampant wage inflation pressure. In its 10-K DEER further attributes its abnormally high margins to its exceptional “vertically integrated and automated manufacturing capabilities”. DEER’s automation claim is laughable when you review the pictures from the BMO Capital Markets’ “Field Trip Slide Show” published on February 9th, 2011 (link [here](#) or download [here](#)), which show typical Chinese assembly-line labor-intensive manufacturing facilities. A factory manager from a competitor who reviewed the slide show was not impressed by DEER’s automation claims.

Joyoung and Supor, by contrast, are very strong brands in China with a lot of retail stores indicating them as the top selling small kitchen appliance brands, as shown in the Channel Check section below. As a comparison, these two competitors spend massive amounts of money advertising their brands to Chinese consumers and placing their own employees or sales reps in retail stores to promote their products. Selling & Marketing expenses consume 16% to 17% of their revenues. By contrast, DEER in the most recent 10-Q filing states that “Advertising costs for the nine months ended September 30, 2010 and 2009, were not significant.” Nor did DEER place any promotional reps in the 60 Gome and Suning stores surveyed in the Channel Check section below. I conclude that it is impossible for DEER’s unusually high gross margin and low

selling expenses to exist at the same time. DEER's 20%+ operating margins simply must be fabricated.

Another way to tackle this same issue is to evaluate DEER's ROI on its new manufacturing facility. With \$22 million invested in land, another \$20 million estimated for construction and equipment, the company believes it will generate \$250 million revenue with \$50 million EBIT (based on 20% operating margin) when the plant reaches full utilization. With a 15% tax rate, the after tax profit of \$42.5 million can pay back the entire investment within a year alone! This kind of ROI isn't just suspicious; it is impossible. If this kind of profitability were true, given the lack of any barriers to entry, speculative capital would have long ago flooded the industry and further glutted the market with blenders and juicers. None of the explanations of DEER's margins add up.

3. Extensive 10-city, 60-store channel check reveals slow sales, no brand name, and either significant channel stuffing or fabricated domestic sales

As of December 2010, DEER claims its products are available in 730 Suning locations (out of a possible 941), and 530 Gome locations (out of a possible 1,170). I engaged an independent 3rd party research group in China to conduct an extensive channel-checking operation, visiting 60 stores (26 Gome and 34 Suning) in Beijing, Qingdao, Xi'an, Chongqing, Chengdu, Shanghai, Xiamen, Zhengzhou, Shenzhen, and Guangzhou. In each location, the investigators were instructed to count the number of small kitchen appliance brands, note the prices each brand was selling for, and ask the store/department managers and at least two different sales clerks a short list of questions about their experience selling products manufactured by DEER and its competitors. For purpose of verification, the investigators were also instructed to record the name, address, phone # of the stores, as well as the name and cell phone # of the managers they spoke to. The entire Channel Check report is available for downloading ([here](#)). A snapshot of the report follows:

Store	Store Name and Address	Store phone #	Store/Appliance Dept Manager's phone number	Deer branded products in store?
Gome Xiamen	国美美仁宫店 厦门市思明区厦禾路628号		Small Appliance Deputy Mgr Li Qiong, cell:13959265443	Yes
Gome Xiamen	国美华天店 厦门市思明区嘉禾路235号华天大厦		Sales Mgr Ye Mingxin, cell:13666078556	Yes
Gome Xiamen	国美龙门店 厦门市湖里区仙岳路158号龙门店	0592-5585662	Deputy Mgr Zhang Hongliang, cell:150600794261	Yes
Suning Xiamen	厦门市嘉禾路188 198号莲花大厦		Store mgr tel:0592-3666023	No
Suning Xiamen	厦门市嘉禾路398号		Store mgr Mr Zeng, cell:13599501316	No
Suning Xiamen	厦门市嘉禾路112号莲花路口			No
Suning Beijing	安贞桥北店	010-64414488	Small Appliance Dpt, ext:8002	No
Suning Beijing	北太平庄鼎源店 北京最大	010-82255558	Small Appliance Dpt, ext:8004	No
Gome Beijing	国美北太店 北太平庄西	010-62072505	Small Appliance Mgr Mr Zhang, cell:13522995630	No
Gome Beijing	国美马甸新活馆 马甸桥 北京最大的国美	010-82073561	Small Appliance Mgr Mr Ma, cell:13811812024	Yes

The report summary is as follows:

- Overview
 - A typical store carries 7-8 small kitchen appliance brands, with biggest stores in any city carrying 10-12 brands.
 - The best selling brands for blenders, juicers, and soymilk makers are Midea, Joyoung, Supor, and occasionally Philips.
 - In 86% of stores, sales clerks salaried by manufacturers and distributors were available to promote their own products.
 - None of the stores have designated promotional personnel for DEER products. Only one Gome store had one of its own sales clerk showcasing DEER brand products.
- Gome
 - 19 out of 26 stores carried DEER products.
 - The average store appeared to sell no more 5 DEER products per week.
 - Some managers said they have only sold 2-3 DEER items per month.
 - Only 2 stores had DEER products prominently displayed.
 - Clerks and managers attributed weak sales to a lack of brand recognition and a lack of dedicated sales personnel.
 - 5 stores explicitly listed DEER as the toughest brand to sell.
 - 3 stores said they had experienced unusually high return rates with DEER.
- Suning
 - No stores carried DEER products, but 33 out of 34 carried Mazuba brand appliances, for which DEER is merely one of the non-exclusive OEMs or ODMs.
 - Managers and store clerks have generally never heard of the DEER brand, with one exception of one store giving out DEER kettles as free gifts in the past.
 - Mazuba is not listed as a top selling brand in any category.
 - On the bottom of the price tag of each Mazuba appliance, there is a location of manufacturing. Mazuba products are manufactured in Foshan, Zhongshan, and Yangjiang. DEER only has manufacturing facilities in Yangjiang, verifying that DEER is not the exclusive manufacturer of Mazuba.
 - Clerks and managers attributed weak Mazuba sales to a lack of brand recognition, a lack of dedicated sales personnel, and uncompetitive pricing.
 - 7 stores explicitly listed Mazuba as the toughest brand to sell.
 - 1 store mentioned an unusually high return rate with Mazuba.

Clearly the report shows terrible sales volumes, poor brand image and low quality and uncompetitive pricing. Alarming, the report clearly shows that contrary to what has been communicated to U.S. investors, DEER branded products are not available at Suning stores. DEER's Suning contract filed in an 8-K on December 4, 2009 ([here](#)) clearly states it expects to sell 200 million RMB of its products including "a wide variety of DEER's product lines of small home kitchen appliances under the 'DEER' brand for 2010 product delivery to Suning's stores". However, the store survey showed that DEER was merely one of the several OEMs for Suning's low-end private label products. Furthermore, the investor relations department of Suning estimated that small appliance sales for 2010 would be approximately 10 billion RMB, of which 5.5 billion would be kitchenware. He also said that Suning's Mazuba brand appliances would represent only 1-2% of small appliance sales. If this is true, at best there will be 200 million

RMB sales, at retail prices, certainly much less than that at wholesale prices, to split between all Mazuba manufacturers, of which DEER is only one. DEER's contract claiming it will sell 200 million RMB to Suning is impossible.

In conclusion, the channel checks conclusively shows very low sell-through of DEER's products, that combined with DEER's ballooning receivables shows that either 1) DEER is stuffing the channel, which in the medium term this may lead to an accounts receivable write down or a significant slowdown in orders; or 2) DEER could have fabricated its sales volume to Gome and Suning. Furthermore the channel check confirms that DEER exaggerates its margins, since its products are clearly low-end and low-price. Also since Gome and Suning are not supported by DEER in the retail promotion (i.e. no in-store sales support) it's natural for the retailers to squeeze DEER on pricing of its generic brand.

4. Improper Revenue Recognition inflates sales and accounts receivables

The typical retail distribution model in China involves a distributor paying a manufacturer upfront for inventory, and then selling its inventory into retail outlets like Gome or Suning on a consignment basis, recognizing revenue upon the ultimate sale of products. Both manufacturers and distributors share in the cost for hiring sales clerks to promote products directly to consumers. According to distributors I interviewed, Gome and Suning is to pay vendors 60 days only after the product is sold at retail. DEER's DSO's with Gome and Suning appear to be more than 60 days.

DEER's contracts with Suning and Gome can be found in two 8-Ks filed on December 4, 2009 ([here](#)) and April 30, 2010 ([here](#)). Both of these agreements state that sales will be made by the retailers on a "commission basis". Although the channel checks have confirmed DEER sells directly into Gome/Suning without distributors, the language of "commission basis", in my opinion, indicates the consignment nature of the arrangement. Most importantly, if the sales are consignment, DEER's accounting practice of recognizing revenue upon shipment is improper given the products on the store shelves have not yet been sold. Moreover, as the channel checks have shown DEER products have little brand equity and are selling very slowly. As a result, DEER's accounts receivable continue to balloon:

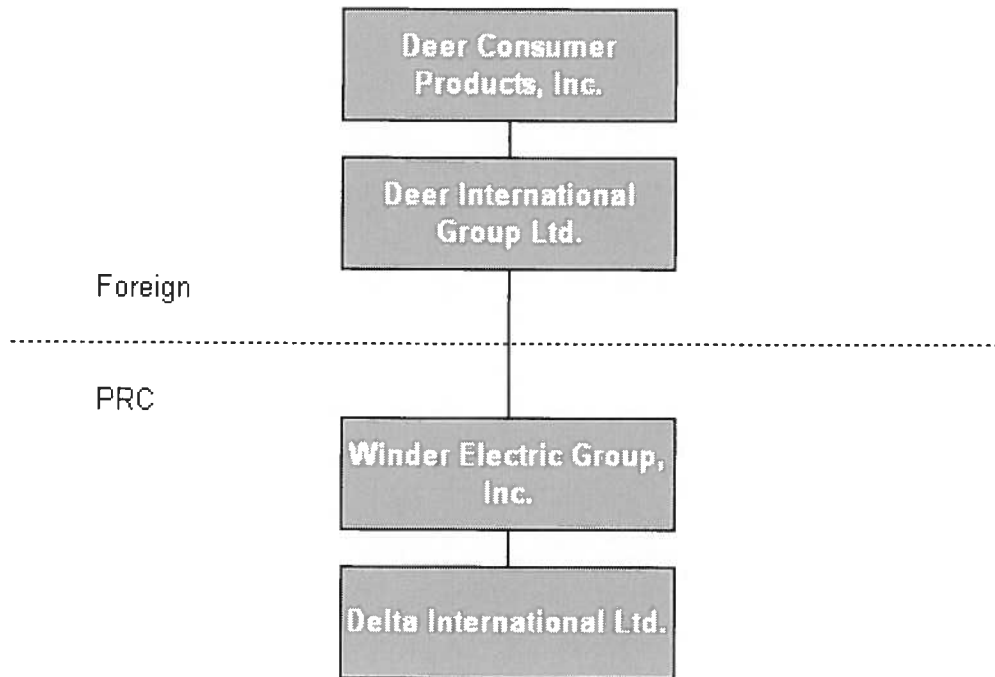
<i>(in \$mm. unless otherwise stated)</i>	<u>Mar-09</u>	<u>Jun-09</u>	<u>Sep-09</u>	<u>Dec-09</u>	<u>Mar-10</u>	<u>Jun-10</u>	<u>Sep-10</u>
Revenues	6.9	15.3	26.5	32.6	23.9	34.5	55.3
yoy growth					247.8%	125.0%	108.2%
qoq growth		122.8%	73.4%	22.9%	(26.7%)	44.1%	60.4%
Accounts Receivables	9.3	11.7	11.8	17.1	19.6	22.9	42.1
yoy growth					110.6%	95.4%	258.2%
qoq growth		25.8%	0.3%	45.2%	15.0%	16.7%	83.9%
DSO (days)	122.1	68.9	39.9	47.1	73.9	59.8	68.6
yoy growth					(39.5%)	(13.2%)	72.1%
qoq growth		(43.5%)	(42.2%)	18.1%	56.9%	(19.0%)	14.6%

Although the contracts permit DEER to stuff the channel, it is clear that effective sell-through of products is low. In the medium term this may lead to an accounts receivable write down or a significant slowdown in orders. Unless DEER can find more channels to stuff, its revenue

growth will be unsustainable. Even worse, if the nature of the relationship is proven to be a consignment model similar to the ones given to other competitors, DEER's revenue recognition policy is not allowed under U.S. GAAP and its financials will have to be restated.

5. DEER's 2009 SAIC filing shows the business is much smaller and less profitable than claimed

DEER's corporate structure disclosed by its 10K is straightforward and can be seen in the chart below:



Management claims that Winder is “responsible for research, production, and delivery of goods” and that Delta “has transferred all of its material former operations to Winder”. However, the SAIC record of Delta filed with PRC government still reports sizeable operations in sharp contrast to the statement in the 10K. In fact, the SAIC record of Winder shows very minimal revenue and earnings. For purpose of comparing SAIC to SEC records, I combined the financial statements of Winder and Delta as below:

	Winder Electric	Deer Consumer
Source:	SAIC	10-K/A '09
All amount in million USD		
Revenues	31,603	81,343
COGS	-27,020	-61,177
Gross Profit	4,583	20,166
Gross Margin	14.5%	24.8%
Sales Expense	-1,888	-3,556
Management Exp	-1,434	-2,381
Operating Income	1,261	14,230
Operating Margin	4.0%	17.5%

Based on the opinion of the industry experts and competitors I surveyed, the margins and profitability shown in DEER's SAIC filing is much more reasonable given DEER's position in the industry. Based on the records, it appears DEER may have overstated its 2009 revenue and operating income by 2.5x and 14x. Such discrepancies should not be easily dismissed due to accounting differences between U.S. GAAP and Chinese standards. Investors should demand a thorough explanation, especially since the SAIC amounts make sense.

As noted before, DEER's very aggressive revenue recognition is creating a large disconnect between DEER's reported earnings and actual cash flow as shown below:

in \$	2007	2008	2009	9M 2010
Net Income	3,421,592	3,356,784	12,369,062	19,323,187
Op Cash Flow	432,890	3,037,566	384,221	1,344,182
Difference	(2,988,702)	(319,218)	(11,984,841)	(17,979,005)
Free Cash Flow	(1,809,178)	(1,158,277)	(3,920,008)	(24,695,956)

*Free cashflow defined as Net Operating Cashflow - Acquisition of Plant and Property - Acquisition of Intangible Assets - Construction in Progress

In summary, DEER accumulated earnings of \$38.5 million since 2006 while only generating cash from operations of \$5.2 million. Even if DEER's earnings were real, they are of a very poor and questionable quality.

6. DEER misappropriated \$11 million through a questionable land purchase

Virtually every fraudulent company I have uncovered finds ways to steal money from its U.S. investors. DEER appears to be no exception. In its 10Q filed on November 10th 2010 ([here](#)), DEER disclosed it purchased \$22.2 million of land (use rights) for construction of a new factory in Wuhu City, Anhui province, stating, “We paid approximately \$22.2 million in the third quarter of 2010 to secure the land use rights for our new factory.” The amount was somehow aggressively inflated on its balance sheet to \$ 23,158,839 under Intangible Assets as of September 2010. Moreover it is insane for DEER to buy land to build a new factory when they still have a lot excess capacity (Existing facilities can support \$320 million in revenue vs. \$174 million revenue estimated in 2010). So it was of little surprise to me to find that DEER exaggerated the cost of this land purchase by almost 100%.

My legal team in China discovered the direct purchaser of the land was Deer Technology (Anhui) Co Ltd, one of the two new subsidiaries recently set up by DEER. A public record of the auction result is available ([here](#)) on the official website of the Chinese government’s Ministry of Land and Resources (MLR). Contrary to the \$22.2 million total cost disclosed in 10Q, the official government record shows Deer Technology bought the right to use a 15-hectare (225 Mu or 1.6 million square feet) land for RMB 74.36 million or \$11.3 million, about half of the amount disclosed by DEER!

In response to my query, the Wuhu Economic & Technological Development Zone (the park), confirmed DEER’s purchase of the land. Mr. Liu (柳) in the Investment Services Department (投资服务中心) of the park, set forth a price of RMB 330,493 per Mu (or 亩, a unit area measure commonly used by the Chinese, 1 Mu = 0.167 acres), as implied by the \$11.3 million total price, is slightly higher than the going rate but not unreasonable. After I explained to Liu that a similar appliance manufacturer might be interested in 200-Mu land for industrial use within the park, Mr. Liu quoted RMB 250,000 per Mu and verbally mentioned the possibility of reducing the price to RMB 150,000 per Mu, if certain conditions are met. When asked what the highest price the park ever sold land for similar usage, Mr. Liu said he honestly didn’t remember they’ve ever priced any land as high as the 330k per Mu price I gave him. Lastly, Mr. Liu assured me that all land the park supplies to its new customers are “clean” land, without any kind of additional compensation (such as to relocate the previous occupants) required of the buyer. This confirms \$11.3 million plus some negligible amounts of deed taxes and fees are all DEER paid to procure the land. (Note: Mr. Liu can be reached at +86 553-5840077 for serious analysts who would like to further confirm land prices in the zone).

Why did DEER report a cost of \$22.2 million for a piece of land, which both the government record and landlord said in fact only cost DEER about \$11.3 million? Once again as I have shown with other companies many times before, the money was either diverted (stolen) for some other purpose or the cash never existed in the first place. Considering DEER’s fabricated margins and sales volumes as well as \$94 million raised by Benjamin Wey, either scenario is possible.

7. Failure to disclose direct competition and other serious conflicts of interest arising from Chairman He’s unconsolidated related party - 50Hz Electric

Ying He, the founder and CEO, and his brother own a separate company in Hong Kong, “50HZ Electric” (<http://www.windelec.com/>). This business is not consolidated into DEER Consumer Products. It is only mentioned a few times in the annual report, which notes that 50HZ transferred patents, IP, etc. to Winder, DEER’s main operating entity in China.

50Hz’s website alarmingly makes it sound like 50Hz is the parent to two operating subsidiaries: DEER’s own Winder Electric and another unconsolidated entity called Shenzhen De Mei Long (DML). 50HZ’s website also states that the company is located in Shenzhen, but the company is actually registered in Hong Kong. A visit to 50Hz’s registered address in Hong Kong found no evidence of the business’s existence. The investigator was informed by an employee of the company occupying the location, that 50HZ uses their address for correspondence, but its operations are located in Shenzhen – at the same address as DML. Despite being presented by DEER as an orphaned entity, 50HZ has clearly been shipping product to the U.S. under its own name to the same customers as DEER as shown in the recent container data files which can be downloaded ([here](#)). Below is a snapshot of the data. It is quite obvious 50HZ is still operating as of the most recent quarter.

B1

2010 to 12 31 2010

match this condition:

ELECTRIC** 50HZ ELECTRIC** DEER CONSUMER** AND In Transit: NO

to 12 31 2010

Year	Quarter	Consignee Declared	Consignee Declared Address	Shipper
2010	Q4	BRENTWOOD APPLIANCES INC.	CALIFORNIA 90058 USA	CO.,LTD
2010	Q4	ASBURY FOODSERVICE EQUIPMEN	160FT LAUDERDALE FL 33331 US	CO.,LTD
2010	Q4	CAROL BEACH KNOBS	WI 53158 USA	ELECTRIC(GUANGDONG)CO.,LTD
2010	Q4	FOCUS ELECTRIC'S, LLC	WI 53095 UNITED STATES 5132438	COMPANY
2010	Q4	APPLICA CONSUMER PRODUCTS,INC.	33027 MIRAMAR,FL FL 33027 US	50HZ ELECTRIC LIMITED
2010	Q3	FOCUS ELECTRIC'S, LLC	WI 53095	WINDER ELECTRIC (GUANGDONG)
2010	Q3	FLEET WHOLESALE SUPPLY CO.	LYNNDALE DR APPLETON, WI 54914	CO., LT
2010	Q3	ASBURY FOODSERVICE EQUIPMEN	160FT LAUDERDALE FL 33331 US	CO.,LTD
2010	Q3	BI MART	2725 US	LTD.
2010	Q3	MATFOON RURAL KING SUPPLY INC	61338 USA	CO., LTD
2010	Q3	FOCUS ELECTRIC'S, LLC	WI 53095 UNITED STATES 5132438	COMPANY
2010	Q3	FOCUS ELECTRIC'S, LLC	WI 53095 UNITED STATES 5132438	COMPANY
2010	Q3	BI MART	2725 US	LTD.
2010	Q3	FOCUS ELECTRIC'S, LLC	WI 53095 UNITED STATES 5132438	COMPANY
2010	Q3	CO.,	160FT LAUDERDALE LAUDERADLE FL	CO.,LTD
2010	Q3	FOCUS ELECTRIC'S, LLC	WI 53095 UNITED STATES 5132438	COMPANY
2010	Q3	FOCUS ELECTRIC'S, LLC	WI 53095 UNITED STATES 5132438	COMPANY
2010	Q2	APPLICA CONSUMER PRODUCTS,INC.	33027 MIRAMAR,FL FL 33027 US	50HZ ELECTRIC LIMITED
2010	Q2	CO.,	FT. LAUDERDALE FL 33331 US	CO.,LTD
2010	Q2	APPLICA CONSUMER PRODUCTS,INC.	33027 MIRAMAR,FL FL 33027 US	50HZ ELECTRIC LIMITED

So it is fairly clear that the CEO’s other company, 50Hz, is directly engaged in the same or similar business competing with DEER. Investors and regulators should question why this serious conflict of interest was not disclosed as a risk factor as required by SEC rules.

Likewise, the DML company is a related party owned by Xu Qiyuan (51%) and He Xianping (49%) with He Ying (DEER’s CEO) as a registered supervisor. Given what I have discovered

above regarding 50Hz, investors should be wary of the possibility both 50HZ and DML could help DEER understate expenses or book phony revenues.

About the Author

Mr. Little has over 35 years investing experience having begun his career as an accountant at Deloitte. He spent 10 years in China, from 1994 to 2004, representing various foreign investors including Coke, P&G, and Budweiser as they established beachheads in the world's fastest growing economy. Today he lives in New York and Shanghai and spends his time researching Chinese and other high growth companies. Having built a very successful track record investing the last decade, he now shares all his investing ideas in his financial blog "Little Al's Big Emerging Market Picks". Mr. Little is also a leading contributor in the China sector on Seeking Alpha.

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Exhibit 2

**Deer Consumer Products:
“DEER in the Headlights”**

**Alfred Little
Shanghai, China
March 14th, 2011**

Introduction

In this detailed report, I show that Deer Consumer Products Inc., (NASDAQ: DEER), a producer of small kitchen appliances located in China, has substantially inflated both its sales and profit margins and failed to disclose direct competition from entities related to its chairman. Additionally, management recently announced two major land purchases at prices that are at least 50% above closely comparable sales that occurred in the same month on the same street. The timing, nature and lack of documentation and disclosure regarding these land purchases make it very likely DEER management misappropriated over \$12 million in company funds. Furthermore, since the reverse-merger DEER has been a major client of Benjamin Wey's New York Global Group, which has been questioned by the media. I have organized my findings into eight sections as set forth below.

1. Management misappropriated over \$12 million on two recent land purchases
2. High profit margins are impossible
3. Extensive 10-city, 60-store channel check confirms very weak domestic retail sales
4. Questionable revenue recognition inflates sales and accounts receivables
5. 2009 SAIC filing shows a much smaller and less profitable business
6. Direct competition from Chairman He's unconsolidated related party - 50Hz Electric
7. Benjamin Wey and his New York Global associates maintain substantial ownership and involvement
8. Auditor Goldman Kurland & Mohidin, LLP and Audit Committee Chairman Arnold Staloff serve several of the same New York Global clients

1. Management misappropriated over \$12 million on two recent land purchases

In its 10K filed on March 10th 2011 (here), DEER disclosed it purchased 660 Mu (or 亩, a unit area measure commonly used by the Chinese, 1 Mu = 0.167 acres) of land (use rights), through two very suspicious transactions, in the Wuhu area of Anhui province, stating:

In 2010, we entered into contracts to acquire land use rights in the Wuhu area of Anhui Province for approximately 439,640 square meters (660 Mu or 43.96396 hectares) in two parcels of land at a total cost of approximately \$37 million, including transfer taxes and other closing fees. We have received a land certificate covering 289,415.79 square meters (435 Mu or 28.9416 hectares) in the first parcel of land, on which we anticipate building a new production facility. We will receive another land certificate covering 150,223.81 square meters (225 Mu or 15.022381 hectares). The public notice relating to these 15.022381 hectares is available on the website of PRC Ministry of Land and Resources.

\$37 million divided by 660 Mu equals approximately \$56,000 per Mu. Then multiply by the roughly 6.7 RMB/USD exchange rate to get an average purchase price of 375,000 RMB per Mu. This amount is extraordinarily high for land in this area as I will show.

First, through my lawyer, I contacted the Wuhu Economic & Technological Development Zone (the Zone where the land is located) and spoke to Mr. Liu (柳) in the Investment Services Department (投资服务中心) regarding the possibility of my company buying 200+ Mu of land to build a small appliance factory. Liu explained that there is a section of the Zone designated for appliance makers (including Midea and Elec-tech) and immediately quoted me RMB 250,000 per Mu and verbally mentioned the possibility of reducing the price to RMB 150,000 per Mu, if certain conditions are met. Liu's prices are before transfer taxes and other closing fees.

Not satisfied that Liu's quotations are sufficient to prove DEER inflated its land purchase price, I consulted an official, Mr. Xu, from the Wuhu Municipal Land & Resources Bureau. Mr. Xu that it is commonly known that recent average selling prices in the park of 150,000 – 200,000 per Mu, depending on the location. (Note: Mr. Xu's contact is private but I will share it with any serious analysts or investors covering DEER.)

Comparable Sales Comparison shows DEER overpaid by 46%

Mr. Xu referred me to the Anhui Province Land & Mining Market Portal (here) where I could look up recent comparable land sales in the Zone. I created a spreadsheet (download by clicking here) detailing 17 comparable land sales from the Portal. I calculated that 242,000 RMB per Mu is the average comparable land sales price. In particular, two land sales highlighted in the spreadsheet occurred on approximately the same dates as DEER's purchases and share the exact same location. The average of these two sales is only 226,000 RMB per Mu. DEER's two land purchases are shown on the site as costing 329,600 RMB per Mu (before transfer taxes and other closing fees). Compared to these two comps DEER overpaid by 46%. The spreadsheet can be downloaded (here).

Furthermore, the timing, nature and lack of documentation and disclosure regarding these land purchases make it very likely DEER management misappropriated over \$12 million in company funds.

In its 2010 third quarter 10-Q filing page 17 ([here](#)) when discussing its plans to build a new factory in Wuhu, DEER merely disclosed:

We paid approximately \$22.2 million in the third quarter of 2010 to secure the land use rights for our new factory.

That was the extent of the disclosure. No details of the date of the purchase or the size of the land. In its 3rd Quarter conference call held on November 10th, 2010, DEER's head of Asia pacific James Chiu explained that:

For this year we used \$22 million to buy a piece of land and we would divide the land into, I mean we will build the facility in a multiple phases. For the first phase we are going to invest roughly \$15 million on the facility and if you're talking about the land that is being used, I should say that should be **one-third of land will be used for the first phase.**

... we also expecting that the total capacity of the (inaudible) completing the first phase will be \$250 million for the additional capacity. (Emphasis added)

According to DEER's explanation, they only need 1/3 of the land to build their new 1.3 million square foot multi-story factory. Analysts and investors repeatedly questioned DEER management regarding the size of the land purchase. In the 10-K just filed, management finally disclosed the size of the land bought in the 3rd quarter was 435 Mu. Therefore 1/3 of 435 Mu is only 145 Mu (about 1 million square feet) leaving 290 Mu unused.

Additionally, on the November 10th conference call management made no mention of their plan to buy another 225 Mu of land, which was only disclosed in the 10-K only after I questioned management and circulated my draft report on these issues.

Based on management's statements, following the expected December, 2011 completion of the first phase of its planned Wuhu factory, the company will own $290+225 = 515$ Mu or 3.7 million square feet of vacant land. The first stage of the expansion will thus utilize only 22% of the land purchased.

The amount of land purchased is totally illogical

Why did DEER buy 660 Mu of land in the first place? Its existing Yangjiang facility has capacity to support \$320 million in revenue and its first phase Wuhu expansion will add another \$250 million in sales capacity.

With 2011 revenue guidance of \$220 million (the high end of DEER's guidance), the capacity utilization rate at its existing facility will be 68.7% during 2011, and only 38.5% of DEER's \$570 million total capacity following its first phase Wuhu expansion. What is the point of DEER holding another 3.7 million square feet of vacant land? Such development zone land is generally required to be built-out on a strict timeline or the owner could face penalties, including losing the land. Additionally, such development zone land is plentiful and does not experience high rates of price appreciation. Thus due to the development rules such land is not suitable for investment. So why did DEER sink \$37 million into these unnecessary land purchases at prices nearly 50% above the comps?

Land purchases are undocumented and unverifiable

One more problem with this land purchase is that despite DEER claiming in its 2010 10K that:

We have received a land certificate covering 289,415.79 square meters (435 Mu or

28.9416 hectares) in the first parcel of land, on which we anticipate building a new production facility.

My legal team could find no such land certificate. Nor could Mr. Xu from the Wuhu Municipal Land & Resources Bureau find it anywhere on their record. It is worth noting that only the municipal level Land & Resources Bureau has the authority to issue such a certificate. I challenge DEER management to produce a copy of the certificate they claimed they already received. Until such certificate is provided, I shall remain skeptical this 435 Mu land use rights purchase was properly closed and accounted for.

Once again, as I have shown in my documentation of previous Chinese RTO frauds, a common way management steals from shareholders or conceals phony profits is through inflated or nonexistent land purchases. DEER management needs to quickly prove otherwise.

2. High profit margins are impossible

My survey and conversations with DEER's large, publicly listed and well-known domestic competitors let me conclude that DEER is merely one of numerous smaller players in the low end of the Chinese small kitchen appliance market. The top brands such as Midea, Joyoung, and Supor dominate a large chunk of the market share in DEER's product categories such as soymilk maker, blender, juicer and rice cookers. Outside the market leaders, the low end of the market is fragmented among hundreds of small, weak competitors including DEER.

Searching on Alibaba for "juicer" and "blender" under the product category in mainland China yields over 4,000 and nearly 6,000 results, coming from a long list of manufacturers who compete with DEER. There are no barriers to entry in the low end of the domestic branded business, while the barrier to success (i.e. becoming the market leaders) is quite high, requiring large amount of capital to build a brand and years of working relationships to build a national distribution channel. Failure abounds, with the recent example of BBK (002251.SH), a large Chinese player with fair amount of brand recognition that nevertheless exited the small appliance market due to difficulty of effectively competing against the top brands in the category (link to the story [here](#)).

Yet somehow, DEER claims it generates higher profit margins than even the market leaders, despite DEER's very recent market entrance and very limited brand equity in this intensely competitive industry.

	<u>Joyoung</u>	<u>Supor</u>	<u>Flec-tech</u>	<u>Tsann Kuen</u>	<u>Deer</u>
LTM Revs (as of Q3 '10)	778.0	793.4	381.7	498.5	146.2
Gross Margin ⁽¹⁾	36.7%	27.9%	23.3%	12.5%	28.7%
Operating Margin ⁽¹⁾	15.3%	9.4%	4.7%	2.5%	20.4%

(1) Margins are the average from 1Q 2010 - 3Q 2010

DEER does not break out its domestic gross margins in its filings, but according to analysts and investor relations, DEER boasts an unjustifiable 40%+ gross margin in the domestic business,

and reports operating margins 46% higher than its strongest competitor, which is over 8x DEER's size. With all of the major competitors being much larger publicly traded companies with manufacturing facilities and cost structure similar or superior to DEER, I see no validity to DEER's explanation of its high margins due to its purportedly lower cost base and greater economy of scale. In fact, I suspect DEER's competitors certainly have lower cost structures by having wisely established their production bases in the lower cost labor zones of the interior provinces of China, such as Anhui, Shandong and Hubei. DEER operates its plant employing 2000 workers in the coastal province of Guangdong that has suffered rampant wage inflation pressure. In its 10-K DEER further attributes its abnormally high margins to its exceptional "vertically integrated and automated manufacturing capabilities". DEER's automation claim is laughable when you review the pictures from the BMO Capital Markets' "Field Trip Slide Show" published on February 9th, 2011 ([link here](#) or [download here](#)), which show typical Chinese assembly-line labor-intensive manufacturing facilities. A factory manager from a competitor who reviewed the slide show was not impressed by DEER's automation claims.

Joyoung and Supor, by contrast, are very strong brands in China with a lot of retail stores indicating them as the top selling small kitchen appliance brands, as shown in the Channel Check section below. As a comparison, these two competitors spend massive amounts of money advertising their brands to Chinese consumers and placing their own employees or sales reps in retail stores to promote their products. Selling & Marketing expenses consume 16% to 17% of their revenues. By contrast, DEER in the most recent 10-Q filing states that "Advertising costs for the nine months ended September 30, 2010 and 2009, were not significant." Nor did DEER place any promotional reps in the 60 Gome and Suning stores surveyed in the Channel Check section below. I conclude that it is impossible for DEER's unusually high gross margin and low selling expenses to exist at the same time. DEER's 20%+ operating margins simply must be fabricated.

Another way to tackle this same issue is to evaluate DEER's ROI on its new manufacturing facility. With \$22 million invested in land, another \$20 million estimated for construction and equipment, the company believes it will generate \$250 million revenue with \$50 million EBIT (based on 20% operating margin) when the plant reaches full utilization. With a 15% tax rate, the after tax profit of \$42.5 million can pay back the entire investment within a year alone! This kind of ROI isn't just suspicious; it is impossible. If this kind of profitability were true, given the lack of any barriers to entry, speculative capital would have long ago flooded the industry and further glutted the market with blenders and juicers. None of the explanations of DEER's margins add up. I encourage investors and analysts to seek comments on DEER's unusually high margins from its larger publicly traded competitors.

3. Extensive 10-city, 60-store channel check confirms very weak domestic sales

As of December 2010, DEER claims its products are available in 730 Suning locations (out of a possible 941), and 530 Gome locations (out of a possible 1,170). I engaged an independent 3rd party research group in China to conduct an extensive channel-checking operation, visiting 60 stores (26 Gome and 34 Suning) in Beijing, Qingdao, Xi'an, Chongqing, Chengdu, Shanghai, Xiamen, Zhengzhou, Shenzhen, and Guangzhou. In each location, the investigators were instructed to count the number of small kitchen appliance brands, note the prices each brand was

selling for, and ask the store/department managers and at least two different sales clerks a short list of questions about their experience selling products manufactured by DEER and its competitors. For purpose of verification, the investigators were also instructed to record the name, address, phone # of the stores, as well as the name and cell phone # of the managers they spoke to. The entire channel check report is available for downloading ([here](#)).

The report summary is as follows:

- Overview
 - A typical store carries 7-8 small kitchen appliance brands, with biggest stores in any city carrying 10-12 brands.
 - The best selling brands for blenders, juicers, and soymilk makers are Midea, Joyoung, Supor, and occasionally Philips.
 - In 86% of stores, sales clerks salaried by manufacturers and distributors were available to promote their own products.
 - None of the stores have designated promotional personnel for DEER products. Only one Gome store had one of its own sales clerk showcasing DEER brand products.
- Gome
 - 19 out of 26 stores carried DEER products.
 - The average store appeared to sell no more 5 DEER products per week.
 - Some managers said they have only sold 2-3 DEER items per month.
 - Only 2 stores had DEER products prominently displayed.
 - Clerks and managers attributed weak sales to a lack of brand recognition and a lack of dedicated sales personnel.
 - 5 stores explicitly listed DEER as the toughest brand to sell.
 - 3 stores said they had experienced unusually high return rates with DEER.
- Suning
 - No stores carried DEER products, but 33 out of 34 carried Mazuba brand appliances, for which DEER is merely one of the non-exclusive OEMs or ODMs.
 - Managers and store clerks have generally never heard of the DEER brand, with one exception of one store giving out DEER kettles as free gifts in the past.
 - Mazuba is not listed as a top selling brand in any category.
 - On the bottom of the price tag of each Mazuba appliance, there is a location of manufacturing. Mazuba products are manufactured in Foshan, Zhongshan, and Yangjiang. DEER only has manufacturing facilities in Yangjiang, verifying that DEER is not the exclusive manufacturer of Mazuba.
 - Clerks and managers attributed weak Mazuba sales to a lack of brand recognition, a lack of dedicated sales personnel, and uncompetitive pricing.
 - 7 stores explicitly listed Mazuba as the toughest brand to sell.
 - 1 store mentioned an unusually high return rate with Mazuba.

Here are some typical comments from the store employees:

Mr. Ma, the small appliance department manager of Gome in Ma Dian Qiao Beijing,

the biggest Gome store in Beijing, said DEER product doesn't sell well here. They're hard to promote due to very few and narrow range of product selection.

Store employee from Hua Qiang North Gome store in Shenzhen said they are able to sell only a couple of DEER items every month. DEER has no after-sale service station. In the store, DEER doesn't have its own shelf and its product were put on the TCL shelf. The best selling brand is Midea.

Store manager from Pujian Road Flagship Gome store in Shanghai said they could not sell even 5 DEER items per day. Our investigator found out DEER products were put on the lowest shelf and people can barely notice them.

Ms. Li, the small appliance manager of Gome Rengong Store in Xiamen, said her store had only sold out 3 electric kettles so far since DEER products got in the store in Dec 2010. There's very low brand recognition for the DEER brand. DEER's products have no special functions compared to the besting selling Midea, Joyoung, Supor and Philips products there, and need to improve in quality.

The small appliance manager of Suning Pudong Store in Shanghai said they've never sold any DEER product here. A store clerk said she has heard of DEER because they used to give out DEER kettle as free gifts.

Mr. Qiu, the store manager of Suning Zijing Store in Chengdu, said Mazuba branded blenders have a lot of quality issues and returns. It's hard to sell and the store had to do a lot of discounting on them.

Clearly the report shows terrible sales volumes, poor brand image and low quality and uncompetitive pricing. Alarming, the report clearly shows that contrary to what has been communicated to U.S. investors, DEER branded products are not available at Suning stores. DEER's Suning contract filed in an 8-K on December 4, 2009 clearly states it expects to sell 200 million RMB of its products including "a wide variety of DEER's product lines of small home kitchen appliances under the 'DEER' brand for 2010 product delivery to Suning's stores". However, the store survey showed that DEER was merely one of the several OEMs for Suning's low-end private label products. Furthermore, the investor relations department of Suning estimated that small appliance sales for 2010 would be approximately 10 billion RMB, of which 5.5 billion would be kitchenware. He also said that Suning's Mazuba brand appliances would represent only 1-2% of small appliance sales. If this is true, at best there will be 200 million RMB sales, at retail prices, certainly much less than that at wholesale prices, to split between all Mazuba manufacturers, of which DEER is only one. DEER's recently filed 10-K disclosed sales to Song Qiao (Mazuba's Chinese name is Song Qiao) to be 13% of 2010 revenue, or 153 million RMB (\$22.85 million at exchange rate of 6.7). This highly questionable wholesale revenue figure is almost 76.5% of all estimated Mazuba products sales **at retail prices**, which further indicates either significant channel stuffing or fabricated wholesale sales. It is also worth mentioning that Mazuba has other categories of products outside small kitchenware, including vacuum cleaners, shower heaters etc, that DEER does not produce.

In conclusion, the channel checks conclusively shows very low sell-through of DEER's products, that combined with DEER's ballooning receivables shows that either 1) DEER is stuffing the channel, which in the medium term this may lead to an accounts receivable write down or a significant slowdown in orders; or 2) DEER could have fabricated its sales volume to Gome and Suning. Furthermore the channel check confirms that DEER exaggerates its margins, since its products are clearly low-end and low-price. Also since Gome and Suning are not supported by DEER in the retail promotion (i.e. no in-store sales support) it's natural for the retailers to squeeze DEER on pricing of its generic brand.

4. Questionable Revenue Recognition inflates sales and accounts receivables

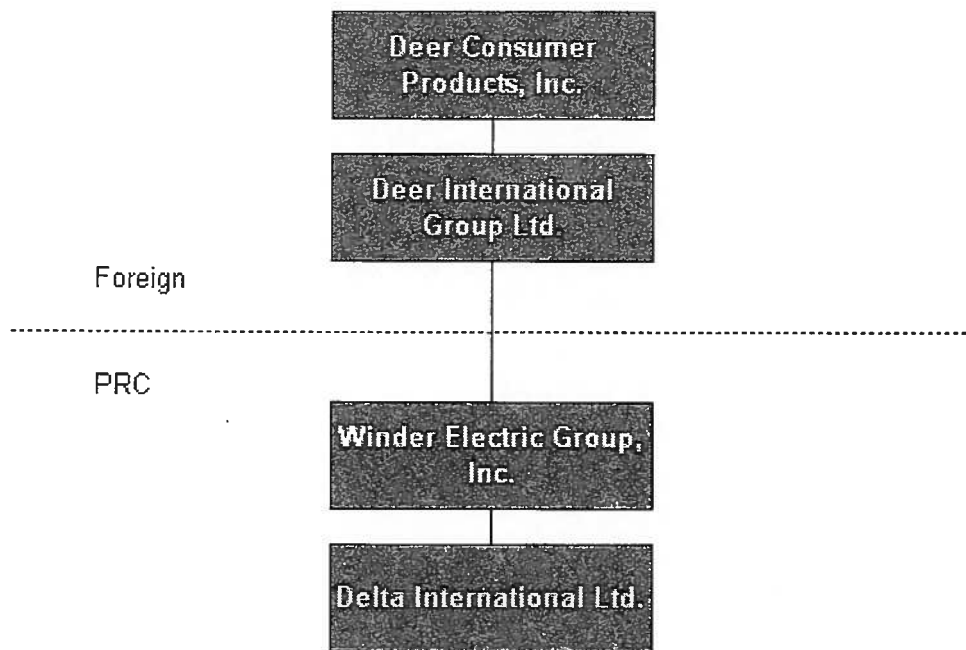
The typical retail distribution model in China involves a distributor paying a manufacturer upfront for inventory, and then selling its inventory into retail outlets like Gome or Suning on a consignment basis, recognizing revenue upon the ultimate sale of products. Both manufacturers and distributors share in the cost for hiring sales clerks to promote products directly to consumers. According to distributors I interviewed, Gome and Suning is to pay vendors 60 days only after the product is sold at retail. DEER's DSO's with Gome and Suning appear to be more than 60 days.

DEER's contracts with Suning and Gome can be found in two 8-Ks filed on December 4, 2009 ([here](#)) and April 30, 2010 ([here](#)). Both of these agreements state that sales will be made by the retailers on a "commission basis". Although the channel checks have confirmed DEER sells directly into Gome/Suning without distributors, the language of "commission basis", in my opinion, indicates the consignment nature of the arrangement. Most importantly, if the sales are consignment, DEER's accounting practice of recognizing revenue upon shipment is improper given the products on the store shelves have not yet been sold. Moreover, as the channel checks have shown DEER products have little brand equity and are selling very slowly. As a result, DEER's accounts receivable and DSO's continue to balloon and according to management on the year-end earnings conference DEER has extended 180 day payments terms to Gome and Suning. According to my conversations with competitors 180 day credit terms are impossible. Again, I think DEER is using the 180 day payment terms as an excuse for the weak retail sales.

Although the contracts permit DEER to stuff the channel, it is clear that effective sell-through of products is low. In the medium term this may lead to an accounts receivable write down or a significant slowdown in orders. Unless DEER can find more channels to stuff, its revenue growth will be unsustainable. Even worse, if the nature of the relationship is proven to be a consignment model similar to the ones given to other competitors, DEER's revenue recognition policy is not allowed under U.S. GAAP and its financials will have to be restated.

5. 2009 SAIC filing shows a much smaller and less profitable business

DEER's corporate structure disclosed by its 10K is straightforward and can be seen in the chart below:



Management claims that Winder is “responsible for research, production, and delivery of goods” of the **whole company (domestic and export)** and that Delta “has transferred all of its material former operations to Winder”. However, the SAIC record of Delta filed with PRC government still reports sizeable operations in sharp contrast to the statement in the 10K. In fact, the SAIC record of Winder shows very minimal revenue and earnings. For purpose of comparing SAIC to SEC records, I combined the financial statements of Winder and Delta as below:

	Winder Electric	Deer Consumer
Source:	SAIC	10-K/A '09
	All amount in million USD	
Revenues	31,603	81,343
COGS	-27,020	-61,177
Gross Profit	4,583	20,166
Gross Margin	14.5%	24.8%
Sales Expense	-1,888	-3,556
Management Exp	-1,434	-2,381
Operating Income	1,261	14,230
Operating Margin	4.0%	17.5%

Based on the opinion of the industry experts and competitors I surveyed, the margins and profitability shown in DEER's SAIC filing is much more reasonable given DEER's position in the industry. Based on the records, it appears DEER may have overstated its 2009 revenue and operating income by 2.5x and 14x, respectively. Such discrepancies should not be easily dismissed due to accounting differences between U.S. GAAP and Chinese standards. Investors should demand a thorough explanation, especially since the SAIC amounts seem quite reasonable.

As noted before, DEER's very aggressive revenue recognition is creating a large disconnect between DEER's reported earnings and actual cash flow as shown below:

in \$	2007	2008	2009	2010	Cumulative
Net Income	3,421,592	3,356,784	12,369,062	30,349,037	49,496,475
Op Cash Flow	432,890	3,037,566	384,221	11,076,019	14,930,696
Difference	(2,988,702)	(319,218)	(11,984,841)	(19,273,018)	(34,565,779)
Free Cash Flow	(1,809,178)	(1,158,277)	(3,920,008)	(45,032,741)	(51,920,204)

*Free cashflow defined as Net Operating Cashflow - Acquisition of Plant and Property - Acquisition of Intangible Assets - Construction in Progress

In summary, DEER accumulated earnings of \$49.5 million since 2006 while only generating cash from operations of \$14.9 million and producing negative free cash flow of (\$51.9) million over the four year period and raising \$94 million from the public to support this tremendous cash burn. Even if DEER's earnings were real, they are of a very poor and questionable quality.

6. Direct competition from Chairman He's unconsolidated related party - 50Hz Electric

Ying He, the founder and CEO, and his brother own a separate company in Hong Kong, "50HZ Electric" (<http://www.windelec.com/>). This business is not consolidated into DEER Consumer Products. It is only mentioned a few times in the annual report, which notes that 50HZ transferred patents, IP, etc. to Winder, DEER's main operating entity in China.

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So it appears the CEO's other company, 50Hz, is directly engaged in the same or similar business competing with DEER. Investors and regulators should question why this serious conflict of interest was not disclosed as a risk factor as required by SEC rules.

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7. Benjamin Wey and his New York Global associates maintain substantial ownership and involvement

According to a press release ([here](#)), from New York Global Group's ("NYGG") Chinese website, with an English translation on page 3, NYGG states that it advised and raised over \$94 million in several rounds of financing in just one year for the company since its RTO. From the translated document:

December 11, 2009, New York - Since June 2009 New York Global Group (NYGG), a Wall Street investment bank, began acting as the exclusive advisor to Guangdong Deer Electric Group (NASDAQ:DEER). NYGG led DEER to set the record for a Chinese company uplisting to NASDAQ's main board in 47 working days and then advised on DEER's second round financing on the NASDAQ in September, 2009 at a P/E ratio of 26x, bringing the cumulative amount raised to \$18 million. On December 10, 2009, NYGG help DEER to complete a third round financing at a P/E ratio of 40x, on a funding amount of \$76 million. **Since it went public in the US under the direction of NYGG, DEER has since completed financings amounting to \$94 million in one year.** (Emphasis added)

Last year when I spoke to Wey claimed he had invested over \$30 million in DEER. But recently Wey denies his investment and association with DEER. He removed the article and pictures from his Chinese website. He denies control or beneficial interest in shares held by his sister (Sarah Tianyi Wei, holder of 2.2 million shares, 6.3%, worth about \$24 million) or Ming Lee, both who I confirmed work in NYGG's Beijing office.

The New York Post documented the involvement of Benjamin Wey in Bodisen Biotech ([here](#)). Herb Greenberg explained Benjamin Wey's suspension from the NASD ([here](#)). Bruce Marsh prepared a comprehensive summary of Benjamin Wey's history of litigation that can be downloaded ([here](#)). It is definitely worth checking out.

Why did DEER retain NYGG? In the article above, Wey answers this question when he points out that the \$94 million NYGG raised for DEER was at multiples of **26x** to **40x** earnings. What a great deal for DEER! I am certain that no U.S. investor would ever willingly pay such a valuation for DEER. But, if I am correct that DEER is dramatically overstating its earnings, 26x-40x earnings may not be far off its real valuation.

8. Auditor Goldman Kurland & Mohidin, LLP (GKM) and Audit Committee Chairman Arnold Staloff serve several of the same New York Global clients

GKM historically audited several NYGG clients, including Bodisen Biotech (BBCZ, -95% from its high), Agfeed Industries (FEED, -90%), Smarthead (HEAT, -78%) and most recently Cleantech (CTEK.PK, already -52% from its high and delisted from NASDAQ on March 1, 2011 for a serious disclosure violation related to a December financing). Arnold Staloff, DEER's audit committee chairman, is also the audit committee chairman of FEED, HEAT, and CTEK. Investors should be very concerned when several collapsed companies share the same weak auditor, audit committee chairman and stock promoter.

DEER management has thus far refused to address any of the issues raised in this report, despite numerous attempts by myself and other investors to contact them. Most recently on their 2010 annual earnings release conference call, management only answered questions from the official research analysts covering the company, ignoring questions from myself and other investors in the queue. Investors should continue to demand a detailed response to the issues raised in this report.

Note: I am short DEER

About the Author

Mr. Little has over 35 years investing experience having begun his career as an accountant at Deloitte. He spent 10 years in China, from 1994 to 2004, representing various foreign investors including Coke, P&G, and Budweiser as they established beachheads in the world's fastest

growing economy. Today he lives in New York and Shanghai and spends his time researching Chinese and other high growth companies. Having built a very successful track record investing the last decade, he now shares all his investing ideas in his financial blog "Little Al's Big Emerging Market Picks". Mr. Little is also a leading contributor in the China sector on Seeking Alpha.

Official Site: <http://labemp.wordpress.com/>

Alfred's previous reports and articles can also be found on Seeking Alpha at:
<http://seekingalpha.com/author/alfred-little/articles>

Email: littlealfred96@yahoo.com

Linkedin: <http://www.linkedin.com/pub/alfred-little/26/228/724>

In China Alfred can also be reached at +86 15900855608

Exhibit 3

Deer Consumer Products: Was the \$22.3 million land use right certificate a forgery?

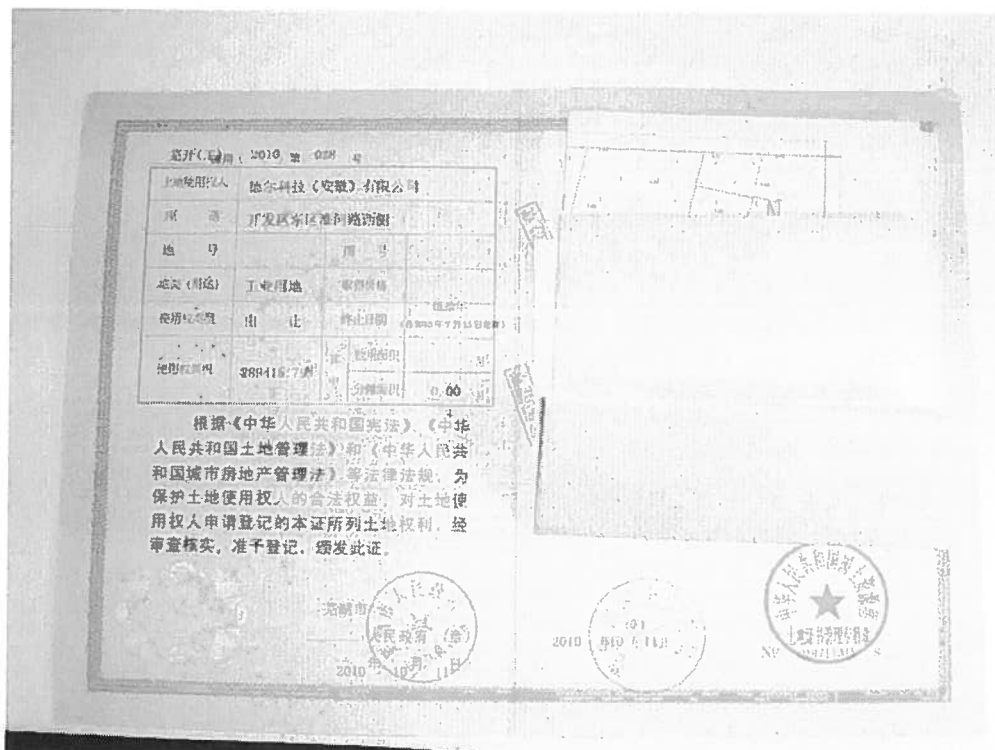
Alfred Little
Shanghai, China
March 18th, 2011

After I pointed out ([here](#)) the likelihood that Deer Consumer Product (NASDAQ: DEER) management intentionally overpaid by 50% when they purchased land use rights to 435 Mu (289,416 square meters) in Wuhu, management quickly responded in the 10-K filed on March 10th that:

We have received a land certificate covering 289,415.79 square meters (435 Mu or 28.9416 hectares) in the first parcel of land, on which we anticipate building a new production facility.

Management, however, failed to respond to the key issue of why they paid a unit purchase price of RMB 330K per Mu vs. an average price of 240K per Mu from the very close comparable land use rights sales in the same month, at the same location, as I showed ([here](#)) in a list of 17 very comparable transactions.

After the urging of Global Hunter Securities analyst Joe Giamichael, DEER management followed up by filing an 8-K ([here](#)) including a picture of the purported land use right certificate to the 435 Mu parcel:



The 8-K included a translation of the certificate ([here](#)) and includes the certificate number "019711318 S" (shown above). Management certainly hoped that this incredibly realistic looking land use right certificate would convince Joe Giamichael and other analysts that the 435 Mu land use rights purchase was legitimate. Giamichael followed up stating, "We are comfortable that the company has paid what they had claimed to have paid to the Land Bureau". Giamichael did not provide any assurances whether the high price DEER paid made sense. In fact analysts and investors should demand an immediate explanation from DEER management of why they overpaid by at least \$12 million, in total, for the two parcels (660 Mu).

To find the truth, my legal team and I returned to Wuhu this week to check the authenticity of DEER's land use rights certificate with the Wuhu Municipal Bureau of Land & Resources (the "Municipal Bureau"), the only government authority allowed to issue this certificate. DEER's certificate is clearly stamped with the "seal" of the Municipal Bureau. The following is a picture of the government complex housing the Municipal Bureau:



The Municipal Bureau has many departments, three of which Bureau staff recommended I visit to present the certificate for authentication. The three departments I visited were:

1. Wuhu Municipal Bureau of Land & Resources Enforcement and Inspection Department (芜湖市国土资源执法监督支队) – tracks and monitors the legality of all land transactions.
2. Wuhu Municipal Bureau of Land & Resources Land Registry Management Department (芜湖市国土资源局地籍管理科) – administers land use rights certificate issuance and authentication, land survey, registration, land usage status and record changes

3. Wuhu Municipal Bureau of Land & Resources Land Administrative Department (芜湖市国土资源局办公室) – coordinates the activities of all other departments within the Municipal Bureau

The signs designating the offices of two of the above Municipal Bureau departments are shown below:



I recorded all conversations with the Municipal Bureau staff during both of my visits. The following is a summary of my findings:

1. **Incredibly, none of the Municipal Bureau officials could verify the existence of DEER's land use rights certificate. But neither would they prove it was a fake. Officials interviewed were either vague or uncertain in their responses or downright protective of DEER's interests in this transaction.**
2. The Record Office under the Wuhu Municipal Bureau of Land & Resources Enforcement and Inspection Department keeps a record of all land certificate and land transaction activities. **Its attempt to verify the certificate # 019711318 S in the computerized database yielded no record.** The staff at the Record Office clearly explained that any registered and issued land certificate has to be able to be located in their system, although they are hesitant to conclude this particular certificate is a

forgery. After being questioned why the official seal of the Municipal Bureau is on Deer's certificate, the Record Office staff pointed me to the Land & Resources Land Registry Management Department.

3. **The staff at the Land Registry Management Department attempted to look up this certificate based on the number and likewise found no record of it.** The staff stated the same story as the Record Office earlier, that any stamped and issued certificate must have a record saved in their system. The staff specifically stated that anything that was not in their system does not exist. They were, however, unwilling to speculate on how the official seal of the Municipal Bureau ended up on DEER's certificate.
4. Not satisfied with our findings, I revisited Mr. Xu, the bureau official I mentioned in my previous report ([here](#)). Mr. Xu first thought the certificate was a legitimate copy after seeing it. However, once he was updated with our findings in the Record Office and Land Registry Management Department, he quickly pointed out a record of any genuine land use rights certificate must be found at the two departments I visited. Therefore, DEER's certificate is very suspicious. Mr. Xu did mention the only other possible reason for a missing record at the Municipal Bureau was that DEER's land transaction was originally registered at the District level Land & Resources Sub-Bureau of the Wuhu Economic Development Zone (the "District Sub-Bureau"). However, Mr. Xu clarified that for DEER to obtain the actual certificate, the District Sub-Bureau must have submitted all documentation to the Municipal Bureau for approval. In other words, if DEER's certificate is authentic, there must be a record of the issuance of the certificate at the Municipal Bureau. Clearly there is not. Furthermore, Mr. Xu adamantly reiterated that DEER's claimed purchase price of 330K RMB per Mu is far above the 150-200k per Mu prices he commonly sees in the Wuhu Economic Development Zone.

Despite the clearly disturbing signs DEER management likely concocted a fraudulent land purchase to misappropriate at least \$12 million of company funds, I decided to have my team visit the local District Sub-Bureau in the Wuhu Economic Development Zone to verify its findings from the Municipal Bureau. Surprisingly, my effort to verify the certificate was immediately blocked by the staff at the District Sub-Bureau, who claimed DEER management had recently demanded, as a result of my investigations, that they disallow anyone from obtaining information about DEER's land use rights purchases. The staff was completely unwilling to give me any comment on the certificate and only vaguely acknowledged DEER bought rights to two parcels of land. Unlike the somewhat helpful administrators at the Municipal Bureau, the local Sub-Bureau staff was completely uncooperative to my reasonable requests, with one exception. One junior staffer interviewed mentioned the average land price was 200,000 per Mu, again, quite similar to the price range I obtained from three other sources - Mr. Liu at industrial park's investment service center, Mr. Xu at the Municipal Bureau and most importantly the recent comparable land sales in the same zone ([here](#)).

The following is a picture of the Investment Service Centers of the Wuhu Economic Development Zone, which houses the District Sub-Bureau:



Conclusion:

I question why DEER management would stop a legitimate attempt, even by a short-seller, to verify DEER's land use rights certificate? Is it a fraud? Given the repeated failure to find any record at the three departments of the Municipal Bureau, whose seal appears seemingly without authorization on DEER's land use right certificate, I remain convinced the certificate is a fraud. Management continues to refuse to discuss any of the issues raised in my previous report, nor bothered in any way to justify paying over \$12 million higher than comparable sales. Where did the money really go?

Note: I am short DEER

About the Author

Mr. Little has over 35 years investing experience having begun his career as an accountant at Deloitte. He spent 10 years in China, from 1994 to 2004, representing various foreign investors including Coke, P&G, and Budweiser as they established beachheads in the world's fastest growing economy. Today he lives in New York and Shanghai and spends his time researching Chinese and other high growth companies. Having built a very successful track

record investing the last decade, he now shares all his investing ideas in his financial blog "Little Al's Big Emerging Market Picks". Mr. Little is also a leading contributor in the China sector on Seeking Alpha.

Official Site: <http://labemp.wordpress.com/>

Alfred's previous reports and articles can also be found on Seeking Alpha at:
<http://seekingalpha.com/author/alfred-little/articles>

Email: littlealfred96@yahoo.com

Linkedin: <http://www.linkedin.com/pub/alfred-little/26/228/724>

In China Alfred can also be reached at +86 15900855608

Exhibit 4



Alfred Little
 Financial Blogger
 Greater New York City Area · Internet

Current

- Blogger at My Own Blog**

Past

- Co-Founder at SAB Consultants

Connections

2 connections

Websites

- Blog
- Blog

[✦ Contact Alfred Little](#)
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 Greater Philadelphia Area

Al Little, --
 Canton, Ohio Area

Al Little, Owner of ModVenue.com
 Greensboro/Winston-Salem, North Carolina Area

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Alfred Little's Summary

Mr. Little has over 35 years investing experience having begun his career as an accountant at Deloitte. He spent 10 years in China, from 1994 to 2004, representing various foreign investors including Coke, P&G, and Budweiser, as they established beachheads in the world's fastest growing economy. Today he lives in New York and Shanghai and spends his time researching Chinese and other high growth companies. Having a built a very successful track record investing the last decade, he shares his investment ideas in his blog which can be found on Seeking Alpha.

Specialties

Short term investments in US listed Chinese companies

Alfred Little's Experience

Blogger

My Own Blog

Privately Held; Internet industry

May 2010 – Present (11 months)

Little Al's Big Emerging Market Picks

Co-Founder

SAB Consultants

Management Consulting industry

March 1994 – October 2004 (10 years 8 months)

Brand planning and consulting services in China

Alfred Little's Additional Information

Websites:

- Blog
- Blog

Alfred Little's Contact Settings

Interested In

- consulting offers
- expertise requests

View Alfred Little's full profile to...

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- Get introduced to **Alfred Little**
- Contact **Alfred Little** directly

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Exhibit 5



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Exhibit 6

Robert Knuts

From: Alfred Little [littlealfred96@yahoo.com]
Sent: Monday, March 28, 2011 2:34 PM
To: Robert Knuts
Subject: Re: Deer Consumer Products, Inc. v. Little, et al.; Index No. 650823/2011

Hello Mr. Knuts,

Please note the address on my "DEER" pieces reads Shanghai, where I reside. New York was a long time ago. I am afraid my time in New York since those days has only been as an occasional visitor. I prefer to keep my Shanghai address private, for obvious reasons.

I do look forward to a reply from your client some day addressing the very legitimate and well-researched concerns and allegations I raised in my report. In fact, as always I am willing to publicly withdraw any statements I make, though well founded and intentioned, that subsequently are proven or even possibly likely to be false.

Please encourage you client to engage me rather than attack me without evidence.

Best regards to you,
Alfred Little

--- On Mon, 3/28/11, Robert Knuts <rknuts@parkjensen.com> wrote:

From: Robert Knuts <rknuts@parkjensen.com>
Subject: Deer Consumer Products, Inc. v. Little, et al.; Index No. 650823/2011
To: littlealfred96@yahoo.com
Date: Monday, March 28, 2011, 4:50 PM

Mr. Little,

I represent Deer Consumer Products, Inc. in connection with a lawsuit commenced today against you and others in the Supreme Court of the State of New York, County of New York.

I write this email to arrange service of the summons and complaint. Please let me know at your earliest convenience the address where I should send the summons and complaint. According to your published information, you reside in New York. If you reside in Manhattan, I would be happy to arrange personal delivery of the documents today.

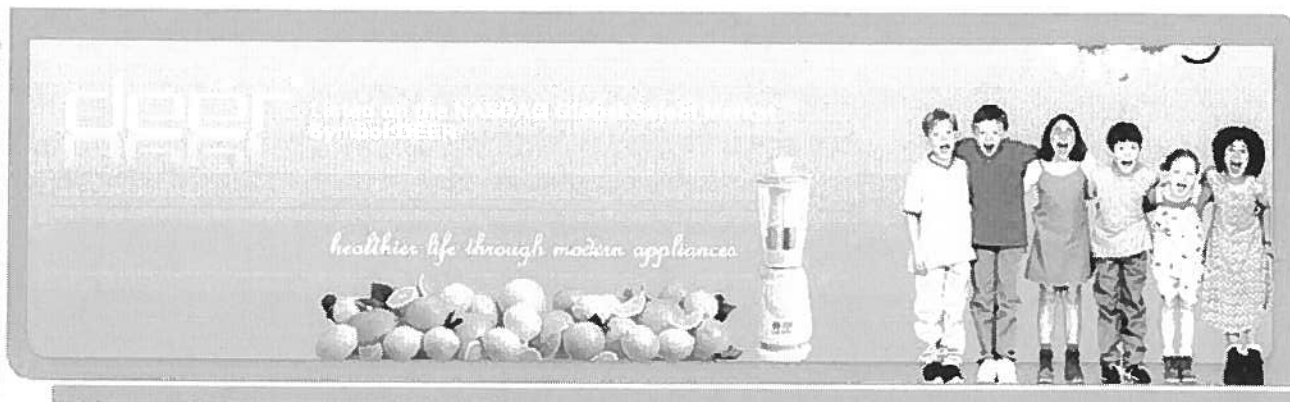
If you are represented by counsel, please have your counsel contact me directly at the address and phone number listed below.

Bob

Robert Knuts
Park & Jensen LLP
630 Third Avenue
New York, New York 10017
646 200 6330 (direct dial)
rknuts@parkjensen.com

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Exhibit 7



Photos



Company Profile

A Market Leader in the Small Household Appliances Industry:

Deer Consumer Products, Inc. is a NASDAQ Global Select Market listed U.S. company with its primary operations in China. Deer has a 17-year operating business as well as a strong balance sheet. Operated by Deer's founders and supported by more than 100 patents, trademarks, copyrights and approximately 2,000 staff, Deer is a leading provider of "DEER" branded consumer products to Chinese consumers and leading vertically integrated manufacturers of small home and kitchen appliances for global customers. DEER's product lines include series of small household and kitchen appliances as well as personal care products designed to make modern lifestyles easier and healthier. With a large brand name global clientele and a rapidly expanding China domestic market footprint, Deer's extensive China domestic market distribution channels are a direct access to China's wealthier and expanding consumer markets. In 2011, Deer initiated annual cash dividend payment of \$0.20 per share, payable quarterly beginning in the first quarter of 2011.

\$76 Million Underwritten Public Offering of Common Stock at \$11 Per Share:

Wall Street investment banks **William Blair & Co.** and **BMO Capital Markets** led and completed a \$17 million underwritten public offering of Deer's common stock in December 2009. Supported by such funding, Deer has recognized rapid sales and earnings growth in the recent years while maintaining a strong balance sheet and healthy margins across its extensive product lines. Deer's growth strategy is focused on expanding the high margin, China domestic market sales.



Research Report: BMO Analyst DEER Factory Visit - Feb 9, 2011



Research Report: GHS Analyst Visit to DEER's Acquired Land in Wuhu - April 11 2011



Analyst Report: GHS Analyst on DEER's Acquired Land Certificate - April 27, 2011

A Direct Beneficiary of China's Economic Growth and Its Expanding Middle Class:

On average, each Chinese household has less than 10 small household appliances, compared to more 35 per household in a developed country. China's rising middle class and its demand for more convenient life styles provide significant growth opportunities for Deer's continued expansion in the Chinese domestic market.

Extensive Global Brand Representations, Innovative and High Quality Products:

In addition to having produced a wide range of high quality products for global brand name customers for more than a decade, Deer markets "DEER" branded products across multiple distribution channels throughout China.

3 Year Insider Share Lockup, Total Management Commitment:

Throughout its 16 year corporate history, Deer has been led by its original founders. Supported by more than 100 patents, trademarks and copyrights and approximately 2,000 staff, Deer's entire management team and insiders have voluntarily entered into 3 year share lockup agreements which prohibit them from selling any shares to the general public through at least year 2013. Deer management and insiders' vested interest is aligned with those of the Company's public shareholders.



DEER Corporate PowerPoint

Recent Corporate Updates:

Corporate News

[Deer Consumer Products, Inc. Anticipates Strong 3rd Quarter Product Sales, to Issue 3rd Quarter Regular Cash Dividend, Conducts Normal Course of Business](#)

Sept 16 , 2011

[Deer Consumer Products, Inc. Announces Significant Developments in New York Litigation Against Illegal Short Sellers, Conducts Normal Course of Business and Confirms Prior Disclosures](#)

Sept 6 , 2011

[Deer Consumer Products, Inc. Announces Record Second Quarter 2011 Financial Results, Declares 3rd Quarter Dividend of \\$0.05 per Share, Affirms 2011 Financial Guidance](#)

Aug 9 , 2011

[Deer Consumer Products, Inc. to Report Record Second Quarter 2011 Financial Results on Tuesday, August 9, 2011, Before U.S. Market Opens](#)

Aug 3 , 2011

[Deer Consumer Products, Inc. Reports No Negative Corporate Developments, Announces Granting of Subpoena Power by New York Court Against Illegal Short Sellers](#)

Jun 17 , 2011

[Deer Consumer Products, Inc. Announces Record First Quarter 2011 Financial Results, Declares 2nd Quarter Dividend of \\$0.05 per Share, Affirms 2011 Financial Guidance](#)

May 10 , 2011

[Deer Consumer Products, Inc. to Report Record First Quarter 2011 Financial Results on Tuesday, May 10, 2011, Before U.S. Market Opens](#)



- Initiated annual cash dividend payment of \$0.20 per share, payable quarterly
- Reported record 2010 financial results:
Revenue grew 116% to \$175.8 million, net income grew 145% to \$30.3 million
- Announced \$20 million share buyback
- Insider share lockup through 2013: insiders own approximately 50% of Deer

Commitment to Corporate Excellence:

- **Extensive Product Lines:** a broad range of small household kitchen appliances designed to improve at-home lifestyle and food safety.
- **Global Market Presence:** Deer serves customers in more than 40 countries worldwide.
- **Strong R&D Capabilities:** More than 75% of all products are company original designed (ODM) and owned by Deer.
- **Superb Product Quality:** Products meet stringent international quality requirements in North America, Europe, Australia, South America and Asia, and are accepted by global brands.
- **Accountability and Transparency:** Deer is in compliance with SEC filings and NASDAQ listing requirements.

May 9 , 2011

[Deer Consumer Products, Inc. Issues Warning Concerning Evidence of Illegal Short Selling of DEER Stock by "Alfred Little" and Others, to Seek Sanctions Against The Rosen Law Firm for Filing a Frivolous "Class Action" Complaint](#)

May 2 , 2011

[Deer Consumer Products, Inc. to Showcase the Latest Product Innovations at the Canton Fair, Reports Strong Sales Momentum in Q1/2011](#)

Apr 4 , 2011

[Deer Consumer Products, Inc. Announces Litigation Against Seeking Alpha Blogger "Alfred Little". Affirms 2011 Financial Guidance and Dividend Policy](#)

Mar 28 , 2011

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 [BMO CAPITAL MARKETS](#)

 [WILLIAM BLAIR & COMPANY](#)



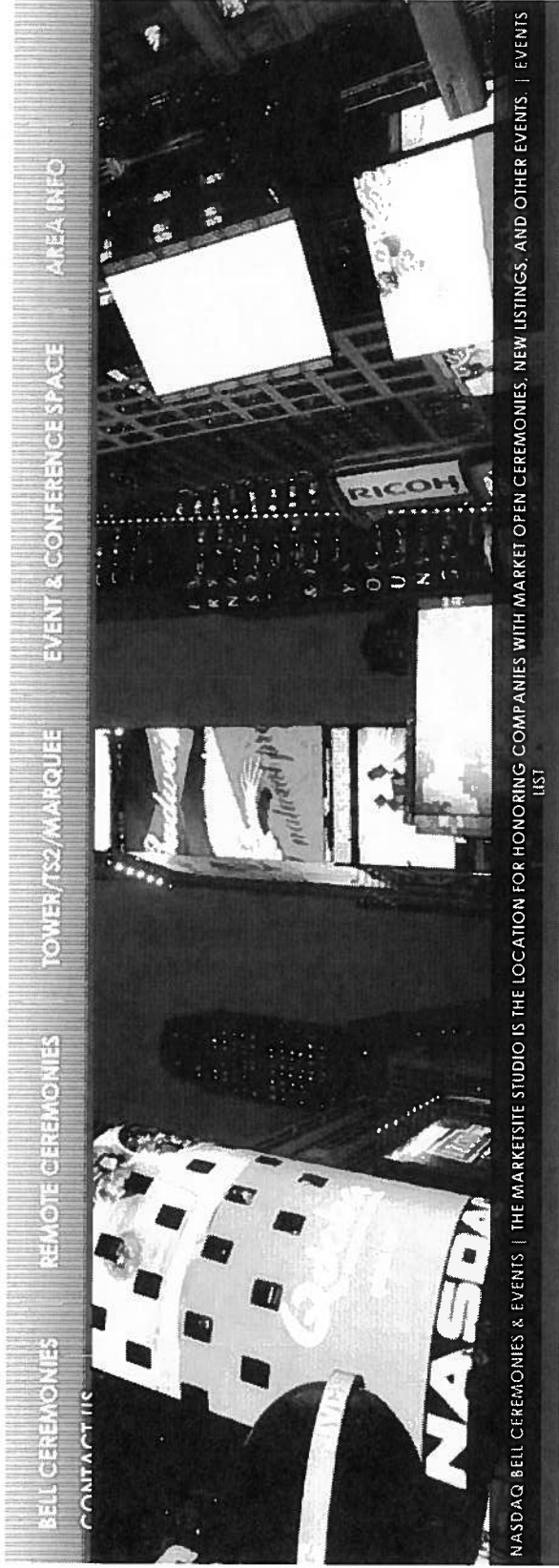
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Exhibit 8

NASDAQ MARKETSITE

NASDAQ OMX



BELL CEREMONIES

REMOTE CEREMONIES

TOWER/TS2/MARQUEE

EVENT & CONFERENCE SPACE

AREA INFO

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NASDAQ BELL CEREMONIES & EVENTS | THE MARKETSITE STUDIO IS THE LOCATION FOR HONORING COMPANIES WITH MARKET OPEN CEREMONIES, NEW LISTINGS, AND OTHER EVENTS. | EVENTS LIST

Location & Directions

NASDAQ MarketSite
4 Times Square 43rd & Broadway

Subway: 42nd Street station via B, D, F, M, Q, N, R, 1, 2, 3, 7, S

Train: Arrive at Penn Station and take the 1, 2 or 3 subway uptown to Times Square - 42nd Street station.

Bus: Port Authority is within walking distance of NASDAQ.

Car: Please consult MapQuest, Google Maps, Yahoo! Maps or HopStop.

[View Location on Google Maps](#)

Restaurants

All restaurants marked with an asterisk (*) have private rooms that can accommodate groups of up to 40 people.

Featured Restaurant

* **E&E Grill House**
233 West 49th Street
New York, NY 10019

Parking

Meyer's Parking System
141 W. 43rd Street; (212) 997-7690

Quick Park
303 W. 46th Street; (212) 664-8224

1114 Six Parking
1114 Avenue of the Americas; (212) 768-7843

250 West 43rd Parking
250 W. 43rd Street; (212) 997-1550





160 East 38th Street
New York, NY 10016
Manhattan, New York
(212) 867-0922

* McCormick's and Schmick's
(Italian)

1285 Avenue of the Americas (52nd St.)
New York, New York 10019
Restaurant: (212) 459-1222

db Bistro Moderne
(French, Hamburgs)

55 W. 44th St.
(bet. 5th & 6th Aves.)
Manhattan, New York
212-391-2400

* Del Frisco's
(Steakhouse)

1221 Sixth Ave.
(49th St.)
Manhattan, New York
212-575-5129

* Blue Fin
(Seafood)

1567 Broadway
(47th St.)
Manhattan, New York

* Sushiden
(Steakhouse)

19 E. 49th St.
(bet. 5th & Madison Aves.)
Manhattan, New York
212-758-2700

Esca Restaurant
(Italian, Seafood)

402 W 43rd St.
(bet. 9th & 10th Aves.)
New York, NY 10036
(212) 564-7272

* Sardi's
(American)

234 W. 44th St.
Midtown West
212-221-8440

Koi
(Japanese/Sushi)

40 W. 40th St.
Midtown West
212-921-3330

Bryant Park Grill
(American)

25 W. 40th St.
Midtown West
212-840-6500



[View in a larger map](#)

Hotels

Eventi

851 Avenue of the Americas
New York, NY 10001
www.eventihotel.com

For reservations and rates:

<https://gc.synxis.com/rez.aspx?Hotel=26736&Chain=10179&promo=NDQ>

Royalton New York

44 West 44th Street
New York, New York 10036
(212) 869-4400
www.royaltonhotel.com

For reservations and rates:

www.morganshotelgroup.com/so/nasdaq.html

Contact:

800.693.3896 - Domestic Toll Free
506.637.0614 - Direct

Janet Melvin
chris.reed@morganshotelgroup.com

Debbie Snider
chris.reed@morganshotelgroup.com

Setai Fifth Avenue

400 Fifth Avenue
New York, NY 10018

212-918-1400

Bond 45
(Italian)

154 W. 45th St.
Midtown West
212-869-4545

L'Impero
(Italian Southern, Northern)

45 Tudor City Pl.
(bet. 42nd & 43rd Sts.)
Manhattan, New York
212-599-5045

Sea Grill
(Seafood)

19 W. 49th St.
(bet. 5th & 6th Aves.)
Manhattan, New York
212-332-7610

Sushi Zen
(Sushi)

108 W. 44th St.
(bet. B'way & 6th Ave.)
Manhattan, New York
212-302-0707

Triomphe
(French)

49 W. 44th St.
(bet. 5th & 6th Aves.)
Manhattan, New York
212-453-4233

* Kuruma Zushi
(Sushi)

7 E. 47th St., 2nd fl.
(bet. 5th & Madison Aves.)
Manhattan, New York
212-317-2802

* Palm Restaurant
(Italian Northern, Steakhouse)

250 W 50th St.
New York, NY 10019-6743
(212) 333-7256

Brooklyn Diner *(American)*

155 W 43rd St.
New York, NY 10036
(212) 265-5400

* Asia de Cuba
(Asian Fusion)

237 Madison Ave
New York, NY 10016
212 726-7755

For large parties contact Donna Moreggi
(212) 726-7517

Del Frisco's
(Steakhouse)

1221 Sixth Ave.
(49th St.)
Manhattan, New York
212-575-5129

Setai Fifth Avenue

Contact:

(212) 613-8740 Direct Line

Chris Reed
Director of Group Sales
chris.reed@morganshotelgroup.com

InterContinental New York

300 W. 44th St
New York, NY 10036
www.interconny.com

Contact:
Jacqueline Galea
(212) 894-4914

NASDAQ OMX Booking Link

Jumeirah Essex House

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- 35 million annual tourists.
- 274,000 people work directly in Times Square each day.
- The 15,000+ hotel rooms in Times Square.
- In excess of 500,000 people come to Times Square on New Year's Eve, and 1/2 billion people watch the festivities on television worldwide.
- An estimated 80% of visitors to New York City (35 million in 2006) come to Times Square to see the bright lights of the big city.

2 Times Square
714 Seventh Ave. between 47th St. and 48th St.
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Oct 26, 2011 Oct 26, 2011

US Market Closed

NASDAQ 2650.67

12.25

0.46%

DJIA 11869.04

162.42

1.39%

S&P 1242

12.95

1.05%

3.95

14.95

1.05%

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Exhibit 9

Little Al's Big Emerging Market Picks

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20 Responses “About Alfredlittle.com” →



John

September 3, 2010

Hi Al,

OK, I will be the first to start a conversation. I thought your analysis of CGA on SeekingAlpha was tremendous news and extremely well written. I became interested in CGA about a year ago, and became terrified of it later when I noticed Tao Li begin to sell his shares in mass. Then on SeekingAlpha, another poster whom I forget now around Oct-Nov, posted their "history", with the beginning company I believe the name was Discover or Discovery Technologies or something like that, and them trying to buy Arby's restaurants. He said CGA was a scam. Anyway, after reading your article it was like finding so many missing pieces to a puzzle, and many suspicions that I have of CGA have been confirmed by you. I would not drop one single dollar into their stock.

Did you notice how the CFO left also only after about a year? Ying Yang I believe is her name? Well, thanks for posting. I would love to establish some type of investing relationship in the future. I have lived in Singapore for the last 12 years. I am from the States originally. Singapore is by the book with little tolerance for foul play. They have some great companies here as well, in fact my best investment ever which is SMRT Corp. came from Singapore as I bought into their IPO around 2002. To be honest mainland China scares me. It is hard to risk a meaningful amount in companies that may be cooking the books. If CGA follows in the shadows of garbage companies, it will be only a matter of time before the reverse splits start, and the share issuances are done. I think it may be very difficult however for them to find any more private placement deals.

Reply

A*L

o

littlealfred96

September 3, 2010

Agreed! I hope investors and analysts continue to target the shady companies like CGA to separate them from the good companies. This will be a long and painful process but is for the good of us all!

Reply



Scott Paul

October 14, 2010

Al – nice work on China Green; it looked interesting at first blush but your due diligence certainly pointed to avoiding this stock! I was curious if you've looked at another company in the same industry: Yongye Intl (ticker: YONG)? Thank you.

Reply

A*L

o

littlealfred96

October 15, 2010

Thanks for the encouragement! Unfortunately I don't have any insight into Yongye (YONG).

Reply

A*L

3.

littlealfred96

October 22, 2010

There are definitely solid Chinese companies. My problem is they aren't particularly many and they aren't particularly cheap right now. Stay tuned, though.

Reply



4.

David G

November 1, 2010

So Al, let's cut to the chase already ... are there any honest Chinese companies that you like?

They were all certainly spanked hard over the last 6 months ... but the nation certainly has a future, and there will be stock winners ... one would expect for decades. How about putting up lists of good ones and bad ones too, and maybe websites or writers that you also trust on the subject? Thanks Al ! Anyone posting the naked truth online deserves a medal !

Reply



ccdemuth

November 23, 2010

Your work on RINO was terrific. Have you looked at HRBN? Do they have any of the same characteristics (besides “auditor”)? Are their State Administration of Taxation (SAT) and SEC numbers consistent? I think that was an excellent piece of research. Is there SAT filings in English? Thanks.

Reply



bob lassiter

April 1, 2011

hi

how does a company as cbeh get on the nasdaq for 4 years?

Reply

A*L

o

Alfred Little

April 4, 2011

Hi Bob. Getting listed on a major exchange such as NASDAQ involves little or no due diligence on the part of the exchange. Nevertheless, many institutional investors are only allowed to buy “listed” companies. I believe this is due to liquidity considerations rather than institutional belief that somehow “listing” means a company passed due diligence.

Reply

A★L

7.

Alfred Little

April 18, 2011

I am checking into HOGS. Stay tuned!

Reply

A★L

8.

Alfred Little

April 18, 2011

Very interesting. I will look into Qihoo. Maybe even worse than YOKU?

Reply

A★L

9.

Alfred Little

April 26, 2011

Good idea. I will look into HOGS, but there are a heck of a lot of subsidiaries. It will take a long time

Reply

10.

claire

May 3, 2011

I have carefully read your site on SCEI's report. Involved in your article to the tax invoice is not listed (SCEI). In my opinion, SCEI the direction of development of the company complies with the Chinese government's "Twelfth Five-Year Plan", clean energy in the

future there will be more long-term sustainable development. If only one-sided view of the problem, not against SCEI shares for the purpose of making their own profits,. That is to destroy a growing business. The future development of the world is looking at China, energy conservation is top priority.

Reply

A*L

11.

Alfred Little

May 17, 2011

Hi Fred,

I don't have a clue regarding the next steps for DEER or CGA. I said what I had to say. I don't know much about ONP but I believe they are/were a fraud too. Unfortunately you are correct there is litte/no recourse for U.S. shareholders.

Reply

A*L

12.

Alfred Little

May 17, 2011

I have not researched them. OINK's profits look too good to be true to me.

Reply



13.

coury shen

May 20, 2011

Dear Sir:

I am a reader of your research reports, and also a investor, I am appreciated that your research give me a lot of help, some chinese company is very bad inside, but high stock price, I want to share some information about the VanceInfo Technologies Inc. NYSE: VIT, this company actually can be called a "offshore software development

company “,cause they didn’t developed any software at all,they just “sell emoployees” to some big IT company,like IBM CHINA,HP CHINA...,and the clients pay VanceInfo per month per person,and don’t sign the employee contract straight,so a lot of young man think they work for IBM,HP,actually they more like be rented by VIT.and VIT give them much lower payment than in the market, and manage all the people is the main type of service in the company, as I know,the only software in VanceInfo maybe just some HR,CRM software just for theirselves.VIT have nothing really work on software developed,I worked for IT industry for more than 10 years,and I own my small software developed workstudio now, I am very sure that what is really work about “software development company “,the SINA,Tencent,is really good company,they do the really software developed,but VanceInfo? It’s more like a HR company,just the boss have a big backgroud,sb.told me that he is a son of a big guy,so the VanceInfo are “big”.and i was surprised VanceInfo can listed on NYSE!! maybe they have no dare to listed in China stock market,it’s a big joke.

Reply

A★L

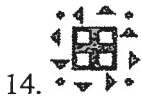
o

Alfred Little

May 25, 2011

Agreed! I will check into this. Thanks so much for the lead!

Reply



007

May 27, 2011

Have you looked at Asiainfo?

8500 employees and 19 million in gross pp&e. If you look at their hiring trends and additions to PPE it makes absolutely no sense.

They are like a magical money making machine....

Reply

A*L

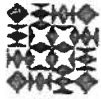
o

Alfredlittle.com

June 7, 2011

Magical. But so far we hear good things about ASIA

Reply



15.

David Chang

June 8, 2011

I congratulate on your excellent work.

As a Chinese mainlander and certified public accountant, I can't say i have a lot of confidence in Chinese system. Everything can be bought at a price, including audit reports. Fake contracts are everywhere – to meet your sales target, no problem. Have your friend sign a contract at month end and reverse it out later with another contract from a friend. It happens every day.

At the end of the day, wall street likes bubble anyway. Chinese knows how to play the game and they know there are enough fools out there who are willing to jump in.

I know a case where reputable US investment banks in HK invested in a mainland company that was ready for go IPO. A whistle blowing letter came to HK Securities and Futures Exchange stating the company faked its sales result. One of the investment banks sent private investigator to the company stores and literally observed sales from distance for a few days. They went in later to check the sales register and the numbers did not tie to what they observed. One of the investment banks backed out but the others stayed on. They just don't care as long as they cash out.

My point is that there are two types of foriengers – 1) just being dumb as they have no idea what Chinese is about. There little experience about China is probably a one-week trip to China ang then get giddy about China; 2) just being ignorant. Fully aware of all the risks but expect the next fool will be even bigger one.

Last thing, China has changed so much in the last ten years and the income parity becomes so large. Morality and ethics are a thing of past. Anyone can be corrupted,

including government officials, bank staff and auditors. If you ask Chinese, they never trust anyone.

Reply

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